



FEDERAL ELECTION COMMISSION
Washington, DC 20463

MEMORANDUM

TO: Commissioners
Acting General Counsel Lerner
Staff Director Pehrkon

FROM: Office of the Commission Secretary *VPW*

DATE: September 6, 2001

SUBJECT: Statement of Reasons for MUR 4624

Attached is a copy of the Statement of Reasons for MUR 4624 signed by
Commissioner Karl J. Sandstrom. This was received in the Commission
Secretary's Office on September 6, 2001 at 1:03 p.m.

cc: Vincent J. Convery, Jr.
Press Office
Public Information
Public Records

Attachments

22-04-406-0102



FEDERAL ELECTION COMMISSION
Washington, DC 20463

In the matter of

The Coalition

National Republican Congressional Committee, *et al.*

MUR 4624

STATEMENT FOR THE RECORD

COMMISSIONER KARL J. SANDSTROM

I. Introduction

At issue in the above matter was whether the unincorporated association of business organizations known as the Coalition, and the individuals and entities with which it allegedly coordinated its activities during the 1996 election, violated 2 U.S.C. §§ 433, 434, 441b and 441d. The General Counsel recommended in its final report that the Commission take no further action and close the file on this matter. I write this statement to explain my reasons for voting to reject the General Counsel's recommendation.¹

Although the General Counsel's report highlights a number of disputes that persist about the nature of the Coalition's activities, I wish to focus instead on several facts about which the record is clear. It is undisputed that the Coalition paid for its activities largely with corporate treasury funds.² The Coalition spent millions of dollars of corporate funds designing, testing and distributing media advertising, the stated purpose of which was to influence the outcome of identified Congressional elections. As demonstrated below, the Coalition's purpose is manifest in documents that the Coalition itself provided in response to the Commission's discovery requests.

¹ Due to the volume of documents relating to this investigation, the complete release to the public of the General Counsel's reports and other materials relating to this Matter Under Review has been delayed; in light of this, I have included the pages I cite from the General Counsel's reports and other relevant materials in an appendix to this statement.

² See the Coalition's Response, dated May 9, 1997, p. 2.

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The Coalition's use of corporate funds to influence Congressional elections is documented by surveys paid for by the Coalition to test the effectiveness of the advertising campaign. Coalition funds were used to hire survey groups that tested the Coalition's television ads with swing voters in closely contested Congressional races and that reported back to the Coalition that the ads "put some points on the board for Republican candidates."³ Lest the Coalition fail to receive credit for its efforts on various incumbents' behalf, the record also shows that the Coalition later distributed copies of its ads to the members of Congress in whose respective districts the ads were run.⁴ It is beyond me how expenditures for these activities could be considered other than in connection with a federal election. Not only did the Coalition use corporate funds to

³ See General Counsel's Report, dated December 23, 1999, Attachment 1 at pp. 18-21, which includes a memorandum, dated June 28, 1996, from the Tarrance Group to The Coalition Steering Committee, which states: "A reel of 10 ads were tested, which included 4 AFL-CIO ads that have already run and 6 potential Coalition response ads. The net result among swing voters in Cleveland was that 25% of participants were moved closer to voting for a Republican candidate for Congress and about half of the participants were moved against national labor leaders. In other words, the response ads not only leveled the playing field, but put some points on the board for Republican candidates as well." See also General Counsel's Report, dated December 23, 1999, Attachment 1 at pp. 22-26, which includes a memorandum, dated July 29, 1996, from American Viewpoint to The Coalition, which states: "The results of the Post-Media poll in Iowa 4th / Des Moines DMA and Washington 5th / Spokane DMA indicate that while *The Flag* (Washington 5th) was effective in achieving The Coalition's goals, *Follow The Millions* (Iowa 4th) raises some cause for concern in terms of message, penetration, and ability to move numbers in Ganske direction It is our conclusion, based on the research conducted as part of this media experiment and earlier focus group testing, that "setting the stage" by letting voters know who is behind the negative advertising being run in these congressional districts is an important precursor for The Coalition's activity. *The Flag* clearly does that job. Specifically, the advertising has a positive impact on:

- voter attitudes toward Republicans;
- voter attitudes toward the freshman Republican Member;
- voter attitudes toward re-election of the Member, and (most importantly);
- voter commitments on the ballot test

In a little over two weeks, Nethercutt has gone from a highly vulnerable Member to a more secure position. The data in both the pre-test and post-test studies suggest that the political environment is truly what is driving the dynamics of this race more so than the candidates The impact of the Coalition's spots on the political environment is perhaps best evidenced by the movement in the generic congressional ballot test which now yields a four (4) point advantage for the generic Republican compared with a one-point deficit in the pre-test."

⁴ See General Counsel's Report, dated April 23, 2001, Attachment 1 at pp. 17-19. See also General Counsel's Report, dated December 23, 1999, Attachment 1 at pp. 28-29, which includes a memorandum, dated November 7, 1996, from Larry McCarthy to Alan Kranowitz, Bruce Josten, and Elaine Graham, in which he shared his thoughts on "maximizing the credit the Coalition should get for its 1996 activities" Among his suggestions were to "develop anecdotal talking points about the critical role the Coalition played - for example, I could make a very good case that if not for the Coalition, neither of my two freshmen (Nethercutt & Whitfield) would have won." Another suggestion was to "[m]ake a written/oral/videotape report to GOP leadership and later the full caucus." See also General Counsel's Report, dated June 9, 2000, Attachment 2 at pp. 13 and 15.

defray the cost of these activities in apparent violation of the law, but the Coalition never registered as a political committee nor filed any disclosure reports with the Commission.

The facts in this case raise an important question: in not pursuing this matter, is the Commission now embracing some previously unrecognized exception to the general ban on corporate expenditures in connection with federal elections to permit such overtly election-related use of corporate resources? If, on the one hand, corporate treasury funds may be used to pay the costs of activities so manifestly election-related as testing the influence of media ads on voters' choice of federal candidate, then I believe the Commission should state that position clearly, so corporations that previously had been laboring under the assumption that funding such activities would be illegal can now maximize the return on their outlays in the electoral as well as the economic sphere. If, on the other hand, a majority of the Commission concludes as I do that to allow corporate treasury funds to be used for such purposes would fly in the face of Congress's nearly century-long ban on the use of corporate treasury funds to influence federal elections,⁵ then I believe the Commission has the duty to make clear that it is illegal for corporate treasury funds to be used in such a way. Since I do not believe the final vote on this Matter Under Review gives the regulated community sufficient guidance on how the Commission will treat similar future activities by an entity not registered as a political committee, I urge my colleagues to provide guidance -- either through an enforcement

⁵ For a detailed history of Congress's ban on corporate expenditures in federal elections, see *United States v. International Union UAW-CIO*, 352 U.S. 567, 570-84 (1957). See also *FEC v. National Right to Work Committee*, 459 U.S. 197, 208-10 (1982) ("In order to prevent both actual and apparent corruption, Congress aimed a part of its regulatory scheme at corporations. The statute reflects a legislative judgment that the special characteristics of the corporate structure require particularly careful regulation [citation omitted] As we said in *California Medical Association v. FEC*, 453 U.S. 182, 201 [citation omitted] (1982), the 'differing structures and purposes' of different entities 'may require different forms of regulation in order to protect the integrity of the electoral process.'" 459 U.S. at 209-10.); *FEC v. Massachusetts Citizens for Life, Inc.*, 479 U.S. 238, 246-48, 257-58, 263 (1986) ("Direct corporate spending on political activity raises the prospect that resources amassed in the economic marketplace may be used to provide an unfair advantage in the political marketplace By requiring that corporate independent expenditures be financed through a political committee expressly established to engage in campaign spending, § 441b seeks to prevent this threat to the political marketplace. The resources available to this fund, as opposed to the corporate treasury, in fact reflect popular support for the political positions of the committee." 497 U.S. 257-58); *Austin v. Michigan Chamber of Commerce*, 494 U.S. 652, 660 (1990) ("Corporate wealth can unfairly influence elections when it is deployed in the form of independent expenditures, just as it can when it assumes the guise of political contributions. We therefore hold that the State has articulated a sufficiently compelling rationale to support its restrictions on independent expenditures by corporations.").

directive or through clarification of the regulations regarding what constitutes an expenditure — about whether the Commission regards such activities as permissible.

A second and related question raised by the facts of this case is whether the Coalition had an obligation to register and report as a political committee.⁶ Since I was not a member of the Commission when it failed, by a 3-1 vote, to adopt the General Counsel's recommendation that the Commission find reason to believe that the Coalition violated 2 U.S.C. §§ 433 and 434 by failing to register and report as a political committee,⁷ I will also take this opportunity to state why I believe this case vividly illustrates the importance of enforcing the FECA's registration and reporting requirements for political committees.

II. Section 441b of FECA — Contributions or Expenditures by National Banks, Corporations or Labor Unions

My analysis of whether to permit the Coalition's payments to test an ad's influence on voters' choice of federal candidate⁸ begins with 2 U.S.C. § 441b, which states that it is unlawful for "any corporation whatever . . . to make a contribution or expenditure in connection with any [federal] election" For the purposes of section 441b, "expenditure" includes "anything of value . . . to any candidate, campaign committee, or political party or organization, in connection with any election to [federal] office."⁹ Testing an ad's influence on voters' choice of federal candidate helps ensure that the ad will be effective in convincing viewers to vote for a particular candidate; thus, it is something "of value" to a candidate "in connection with" a federal election, falling within the definition of expenditure in section 441b.

In determining whether an expense is properly within the definition of expenditure, however, the Commission must also be mindful of constitutional constraints, since vague or overbroad regulation of political speech would run afoul of the First

⁶ See 2 U.S.C. §§ 433 and 434.

⁷ See First General Counsel's Report, dated April 21, 1998, p. 34.

⁸ I am restricting my analysis to the costs of the surveys because the facts are so well developed and the law so clear on this issue. Adoption of a clear position on the treatment of the costs of such surveys issue should strongly suggest how the Commission would analyze the costs of distributing ads to which such surveys were inextricably linked.

⁹ 2 U.S.C. § 441b(b)(2).

Amendment.¹⁰ Section 441b's definition of "expenditure" is potentially overbroad, for many activities designed to sway the public on a politically significant issue can be "of value" to a particular federal candidate, but are not sufficiently campaign-related to justify regulation in an area protected by the First Amendment.

In *Federal Election Commission v. Massachusetts Citizens for Life*,¹¹ the Supreme Court avoided this problem with section 441b by applying an express advocacy test to the public communication at issue in that case, echoing the approach the Court had used in *Buckley v. Valeo* to limit other potentially overbroad sections of the FECA.¹² As stated in *Buckley*, the rationale for the express advocacy test flowed from the practical difficulty of separating out candidates and issues:

[T]he distinction between discussions of issues and candidates and advocacy of election or defeat of candidates may often dissolve in practical application. Candidates, especially incumbents, are intimately tied to public issues involving legislative proposals and governmental actions. Not only do candidates campaign on the basis of their positions on various issues, but campaigns themselves generate issues of public interest.¹³

Agreeing with this rationale, the *MCFL* Court found that "this rationale requires a similar construction of the more intrusive provision that directly regulates independent spending. We therefore hold that an expenditure must constitute 'express advocacy' in order to be subject to the prohibitions of § 441b."¹⁴

The facts at issue here raise an interesting question about the breadth of the *MCFL* Court's holding: if a category of campaign-related expenses is neither vague nor overbroad, nor even directly related to the creation of a public communication, then by what rationale would inclusion of such a category of expenses in the definition of "expenditure" be prohibited under either *Buckley* or *MCFL*? Payments to test an ad's effect on voters' choice of federal candidate constitute neither a vague nor overbroad category of expenditures, since those payments relate to a clearly identified activity for which those who engage in issue advocacy have no need. There is no rationale in either

¹⁰ See *Buckley v. Valeo*, 424 U.S. 1, 76-80 (1976).

¹¹ 479 U.S. 238 (1986).

¹² See *Buckley*, 424 U.S. at 80. The sections to which *Buckley* applied the express advocacy test, sections 434(e) and 608(e)(1), are no longer part of the FECA.

¹³ *MCFL*, 479 U.S. at 249 (quoting *Buckley*, 424 U.S. at 42).

Buckley or *MCFL* for requiring an express advocacy test when problems of vagueness and overbreadth have otherwise been addressed, and the distinction between issue advocacy and electoral advocacy can otherwise be ascertained.

Indeed, the experience of the last 25 years suggests that there may be good reason to seek other ways to avoid vagueness or overbreadth in the FECA before applying the express advocacy test to general public communications. The express advocacy test is a subjective, content-based test about which reasonable minds can on occasion reach different results. Because of this, it does not always provide the level of guidance that we would ideally like to achieve. Content-based regulation of general public communications should be employed only when more objective criteria are unavailable. To the extent that this Commission can identify specific types of expenditures that are campaign-related (to avoid problems of overbreadth) and sufficiently discrete in nature (to avoid problems of vagueness), then I believe this Commission has the duty to put participants in the political process on notice that such expenditures require disclosure and must be funded in accordance with the prohibitions and limitations of the FECA. I can think of few clearer examples of such a category of expenditures than payments to test an ad's influence on voters' choice of federal candidate.

III. Sections 433 and 434 of FECA – Registration and Reporting Requirements for Political Committees

Even if the Coalition had not conceded that it received contributions from corporate treasuries, it would nonetheless appear to have violated the FECA by failing to register and report as a political committee. The FECA's general definition of "expenditure" (a "payment . . . or anything of value, made by any person for the purpose of influencing any election for Federal office" 2 U.S.C. § 431(9)) triggers a duty to register and report as a political committee when "any committee, club, association, or other group of persons . . . receives contributions aggregating in excess of \$1,000 during a calendar year or . . . makes expenditures aggregating in excess of \$1,000 during a calendar year."¹⁵

¹⁴ *MCFL*, 479 U.S. at 249.

¹⁵ 2 U.S.C. §§ 431(4), 433, 434.

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Because the definition of “political committee” rests in turn on the definitions of “expenditure” and “contribution,” it is important to note that the *Buckley* Court addressed the constitutional concerns that arose from the potential overbreadth and vagueness of the definition of “expenditure” in the context of a political committee differently than it did in the context of independent reporting requirements. *Buckley* did not impose an express advocacy requirement on the FECA’s applicability to an expenditure of a political committee; the express advocacy test in *Buckley* was applied to sections of the FECA that applied only to individuals or groups that were not candidates or political committees. — Instead, the Court stated in dicta that the definition of political committee “need only encompass organizations that are under the control of a candidate or the major purpose of which is the nomination or election of a candidate.”¹⁶ The Court went on to state, “Expenditures of candidates and of ‘political committees’ so construed *can be assumed* to fall within the core area sought to be addressed by Congress. They are, *by definition*, campaign related.”¹⁷

This “major purpose” test has never been required by the Supreme Court, and is at best an imprecise means of balancing First Amendment rights with the need to prevent corruption and the appearance of corruption.¹⁸ Yet even if one were to apply the as of yet undefined “major purpose” test in this instance, one is not forced to grapple too hard with what the “major purpose” test is supposed to mean, since it is difficult to discern any purpose for the Coalition other than to engage in campaign-related activity in support of, or in opposition to, federal candidates.¹⁹ Surely, as the General Counsel’s report pointed out when it recommended pursuing this potential violation, a “sole” purpose would qualify as a “major” purpose:

There is no indication that the Coalition was formed for any purpose other than building or maintaining public support for certain candidates. For instance, there is nothing suggesting that the Coalition engaged in lobbying members of Congress

¹⁶ *Buckley*, 424 U.S. at 79. See also *MCFL*, in which the Court, referencing *Buckley*, provided similar dicta: “[S]hould MCFL’s independent spending become so extensive that the organization’s major purpose may be regarded as campaign activity, the corporation would be classified as a political committee.” 479 U.S. at 262 (citation omitted).

¹⁷ *Buckley*, 424 U.S. at 79 (emphasis added).

¹⁸ See *Akins v. FEC*, 101 F.3d 731, 743-44 (D.C. Cir. 1997) (*en banc*), vacated on other grounds, 524 U.S. 1 (1998).

¹⁹ See General Counsel’s Report, dated December 23, 1999, at Attachment 1, pp. 18-33, 90, 121, 129-32.

or issue discussion outside the context of elections. Given that the Coalition spent most of the millions of dollars it received in 1996 on ads and direct mailings designed to influence the outcome of federal elections by returning the majority in Congress and that, after apparently lying dormant since the 1996 elections, it now appears to be gearing up for the 1998 Congressional elections, there is evidence that the organization's sole purpose, let alone "major purpose" is the election and defeat of clearly identified federal candidates. *Buckley*, 424 U.S. at 79. In the light of the above, this Office recommends that the Commission find reason to believe the Coalition and its treasurer violated Sections 433 and 434, by failing to register as a political committee and failing to file reports.²⁰

Based on the information provided by the Coalition about its activities, I conclude that there is reason to believe that the Coalition violated 2 U.S.C. §§ 433 and 434.

IV. Conclusion

The Coalition raised and spent millions of dollars that had a decisive influence on close Congressional races throughout the country, according to those whom the Coalition hired.²¹ Yet the public has no way of knowing which corporations and individuals provided the contributions that passed through the Coalition. I believe it is contrary to the Commission's duties to permit individuals and entities to circumvent the FECA's reporting requirements for political committees by allowing them to pass money through an entity such as the Coalition to pay for campaign-related activities.

And, as stated earlier, I do not believe the final vote on this matter reflects whether a majority of the Commission has concluded that payments to test the influence of an ad on voters' choice of federal candidate and the costs of the resulting ads fall outside the definition of "expenditure" for purposes of the prohibitions and disclosure requirements of the FECA. Although I would prefer that the Commission reconcile the regulations in these areas with the reality of what can be clearly and unmistakably identified as campaign-related activity, more important is that a majority of the Commission provide clear guidance on what is and is not permitted. Elections are by their very nature competitions. When one side sees the other using tactics that are arguably banned under the rules, with the referee standing by, it is only natural that in the next

²⁰ See First General Counsel's Report, dated April 21, 1998, pp. 33-34. The Commission failed by a 3-1 vote to adopt this recommendation from the General Counsel.

²¹ See n.3, *supra*.

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game, both teams will engage in tactics previously thought to have been banned. I strongly urge this Commission to clarify the rules before the next game is under way so that those who believe it is important to play by the rules – whatever they might be – will not be at a disadvantage.

9/6/01
Date

Karl J. Sandstrom
Karl J. Sandstrom, Commissioner

22-04-406-0111

APPENDIX TO MUR 4624 STATEMENT FOR THE RECORD (SANDSTROM)

- A. The Coalition's Response, dated May 9, 1997, p. 2.
- B. First General Counsel's Report, dated April 21, 1998, pp. 33-34.
- C. General Counsel's Report, dated December 23, 1999, Attachment 1 at pp. 18-33, 90, 121, 129-32.
- D. General Counsel's Report, dated June 9, 2000, Attachment 2 at pp. 13-15.
- E. General Counsel's Report, dated April 23, 2001, Attachment 1 at pp. 17-19, 28-29.

22.04.406.0112

A. The Coalition's Response, dated May 9, 1997, p. 2.

22.04.406.0113

F. Andrew Turley

May 9, 1997

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business sector. The Coalition's decisions are made collectively by its Management Committee. It has no individual employees. Josten Affidavit ¶¶ 2,6 (affidavit attached as Tab A).

The Coalition was founded in April 1996 because of growing concerns among businesses regarding the \$35 million effort by the AFL-CIO to distort the public record regarding certain federal legislative issues. See Tab B (articles regarding AFL-CIO activities). The business community sought to respond to the AFL-CIO advertisements and provide accurate information on these issues. Josten Aff. ¶¶ 3-5; see also Tab C (articles and solicitations).

Initially, five business organizations met in an effort to join forces and disseminate a single business response to the AFL-CIO's campaign: the U.S. Chamber of Commerce, the National Association of Manufacturers, the National Association of Wholesaler-Distributors, the National Federation of Independent Businesses, and the National Restaurant Association. At their first meeting in April, 1996, they decided to recruit other similarly-minded groups to create an educational campaign that would inform the public of the facts surrounding the issues raised in the AFL-CIO's advertisements. Id. ¶¶ 6,7.

The result of their recruiting efforts was The Coalition. The original five organizations became its management committee, and the organizations that they recruited became The Coalition's executive committee. The executive committee and the management committee members then solicited support from their own individual members, and ultimately received financial and other assistance from thousands of businesses and individuals. Id. ¶¶ 7,8.

The Coalition raised approximately \$5,000,000 for a three-pronged educational program correcting the AFL-CIO's misleading and untruthful statements. Id. ¶¶ 8, 10. The Coalition purchased commercial advertisements on television and radio, produced and

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B. First General Counsel's Report, dated April 21, 1998, pp. 33-34.

D. POSSIBLE CONSEQUENCES & VIOLATIONS

1. The Coalition & its Members **Political Committee Theory**

The complaint asserts that the Coalition is a "political committee." Although the Coalition attempts to portray itself as an "issue advocacy" group, according to its own statements and news reports, its activities and spending appear to center around electoral activity, i.e., running ads and sending direct mail in specific Congressional districts in the months leading up to the 1996 elections. In what appears to have been its first solicitation letter, dated May 31, 1996, the Coalition informed those solicited for membership and donations that its plan was to purchase advertising to counter the unions efforts to "unseat" the "majority" that was in control of the 104th congress. Attachment 1 at page 1. As already discussed, there is evidence that the Coalition ads that aired just prior to the 1996 general elections were coordinated with the NRCC and were aired for the purpose of influencing federal elections.

Moreover, it appears the Coalition now intends to renew its spending during the 1998 election cycle, and has become "a permanent entity." Attachment 4 at page 105. The article indicates that in a 1997 letter reportedly sent to 250 trade associations, the Coalition sought funds to ensure that labor does not "create a labor-oriented majority in the Congress." *Id.*

There is no indication that the Coalition was formed for any purpose other than building or maintaining public support for certain candidates. For instance, there is nothing suggesting that the Coalition engaged in lobbying members of Congress or issue discussion outside the context of elections. Given that the Coalition spent most of the millions of dollars it received in 1996 on ads and direct mailings designed to influence the outcome of federal elections by returning the majority in Congress and that, after apparently lying dormant since the 1996

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elections, it now appears to be gearing up for the 1998 Congressional elections, there is evidence that the organization's sole purpose, let alone "major purpose" is the election and defeat of clearly identified federal candidates. *Buckley*, 424 U.S. at 79. As noted, the Coalition spent well in excess of \$1,000 on expenditures and contributions. In light of the above, this Office recommends that the Commission find reason to believe the Coalition and its treasurer violated Sections 433 and 434, by failing to register as a political committee and failing to file reports.

The contributions made to the Coalition appear to have come from either incorporated trade associations or entities that accept contributions from prohibited sources. See Attachment 6 (chart). Thus, there is reason to believe that the Coalition and its treasurer violated Section 441b(a) through its acceptance of such contributions. There is also information suggesting the Coalition coordinated its spending with the Republican party and/or candidates and spent corporate funds on communications that expressly advocated the election of clearly identified candidates. In light of the above, this Office recommends that the Commission find reason to believe the Coalition and its treasurer violated Section 441b(a).²³ This Office additionally recommends Section 441d(a) reason to believe findings against the Coalition and its treasurer for failing to place disclaimers on the ad which ran in Congressional districts that appears to have expressly advocated the election of the candidates identified therein, and that also appears to have solicited contributions (example 4).

The Coalition has stated that 40 national organizations purportedly made contributions to it and were considered members. Attachment 1 at page 4. However, at this point, the identities

²³ Although the complaint alleges that the violations were knowing and willful, the evidence on hand at this time does not support that charge. Thus, pending investigation, this Office makes no recommendations regarding the alleged knowing and willful nature of the violations.

C. General Counsel's Report, dated December 23, 1999,
Attachment 1 at pp. 18-33, 90, 121, 129-32.

22-04-406-0118

THE TARRANCE GROUP

Research for Decisions in Politics and Public Affairs

Edward A. Gozas, III
President, CEO

Brian C. Tringali
Senior Vice President

David J. Sackett
Senior Vice President

Michael P. Baselle
Vice President

Lorraine Gudermuth
Vice President

William H. Cullo
Senior Research Analyst

Todd Vitale
Research Analyst

MEMORANDUM

CONFIDENTIAL

TO: The Coalition Steering Committee

FROM: Ed Gozas
Brian C. Tringali
Bill Cullo

DATE: June 28, 1996

RE: Preliminary Testing of AFL-CIO Advertising & Responses

The Tarrance Group was commissioned to conduct electronic focus groups among 24 "swing" voters in the Cleveland, Ohio media market on June 17th. The facility used for the focus group was Opinion Nation Research in Parma. Dr. David Hughes of Decision Labs, Ltd. of Chapel Hill, North Carolina assisted with his Speedback direct response system.

It is our considered opinion that Members of Congress currently under attack by AFL-CIO advertising are ill-prepared to respond. Essentially they are outgunned and outclassed. If targeted Republican Members ever hope to be operating on an even playing field during the 1996 election, it will require that an outside voice come to their defense. Finding a message for that voice is what we have been charged with in our research.

A reel of 10 ads were tested, which included 4 AFL-CIO ads that have already run and 6 potential Coalition response ads. The net result among swing voters in Cleveland was that 25% of participants were moved closer to voting for a Republican candidate for Congress and about half of the participants were moved against national labor leaders. In other words, the response ads not only levelled the playing field, but put some points on the board for Republican candidates as well.

The following include our recommendations for responding to the AFL-CIO series:

THE TARRANCE GROUP

- 8mm - This ad starts out strong and remains strong both at an "affect" and "cognitive" level. In its current format, it is probably too offensive to seniors to consider running, but with some changes it could be the strongest ad in the bunch.

Visually, the picture of speed boat is probably not ideal. The most important thing to do is change the rhetoric so that we do not present the life of our parents as perfect — something with wider appeal would be better. The ad currently offends some seniors in claiming that they led the "life of Riley."

A line such as "they might not have been able to do all that they wanted to do, but we never felt like we went without..." might be a little less offensive to seniors.

A balanced budget does not need to be an integral part of this ad and could be replaced. The tax message is what is important to the ad. But, as we have seen before, a number of individuals expressed concern about foreign aid, which might make a better issue for inclusion in the ad.

Additional Research

We would like the group to consider the suspension of additional focus groups and the use of these two spots in two key test markets. These test markets could include:

1. Des Moines, Iowa
2. Erie, Pennsylvania

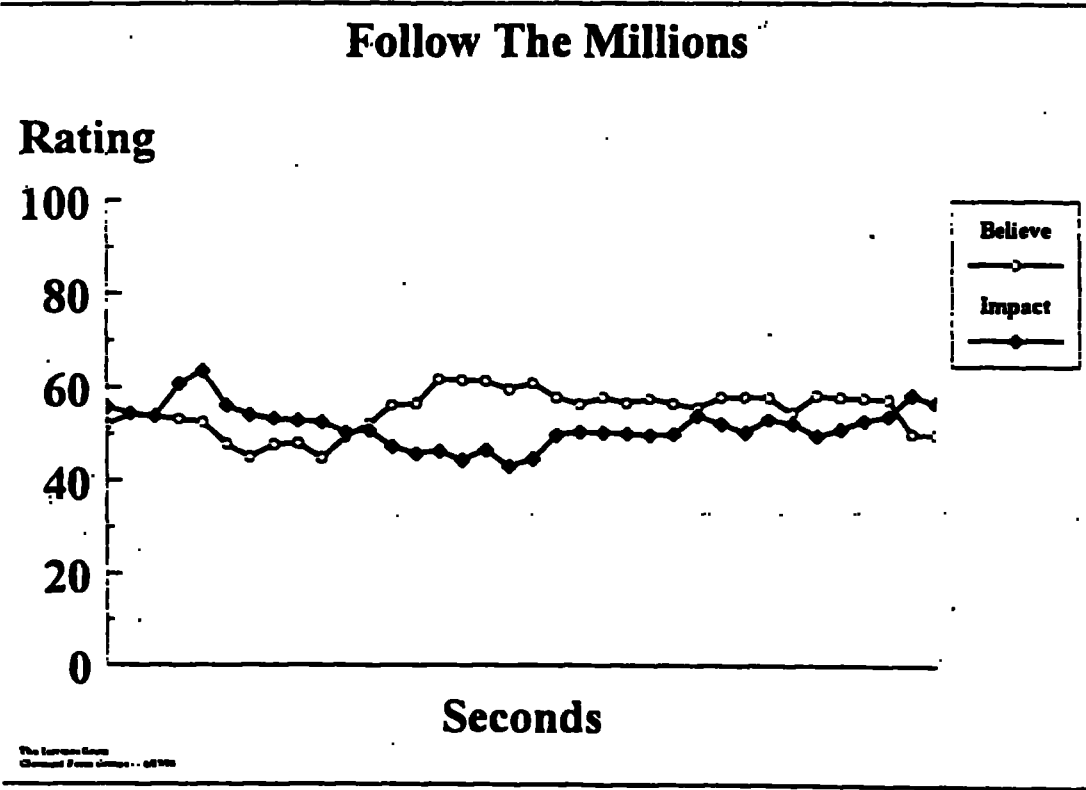
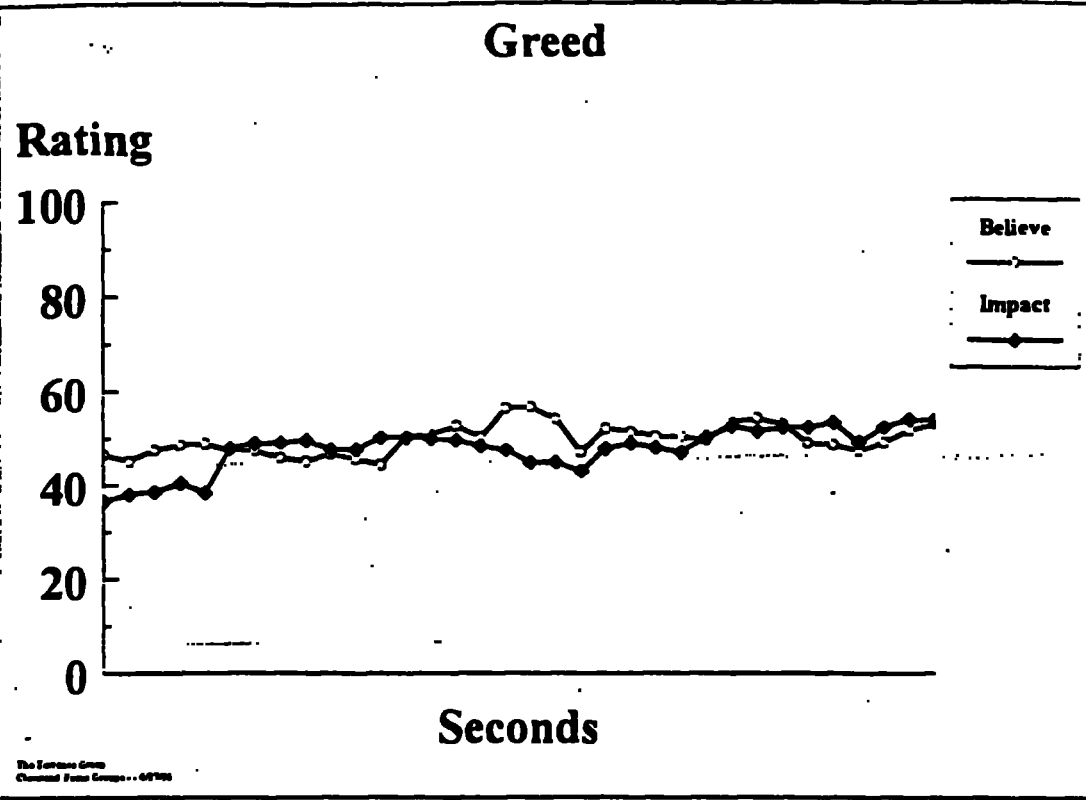
In each market, about 1,200 gross rating points could be run of one or both of these television spots.

Prior to running commercials, a survey could be conducted in order to determine the political landscape. After the television spots have reached saturation, a telephone survey in the form of a panel-back design could be conducted again to determine the impact of the spots. That would give the Coalition two case studies from which to draw conclusions and legitimize their activities with regard to fund raising.

Because of our current work with Congressman Ganske, we would ask that the Tarrance Group be used only for the survey research in Erie.

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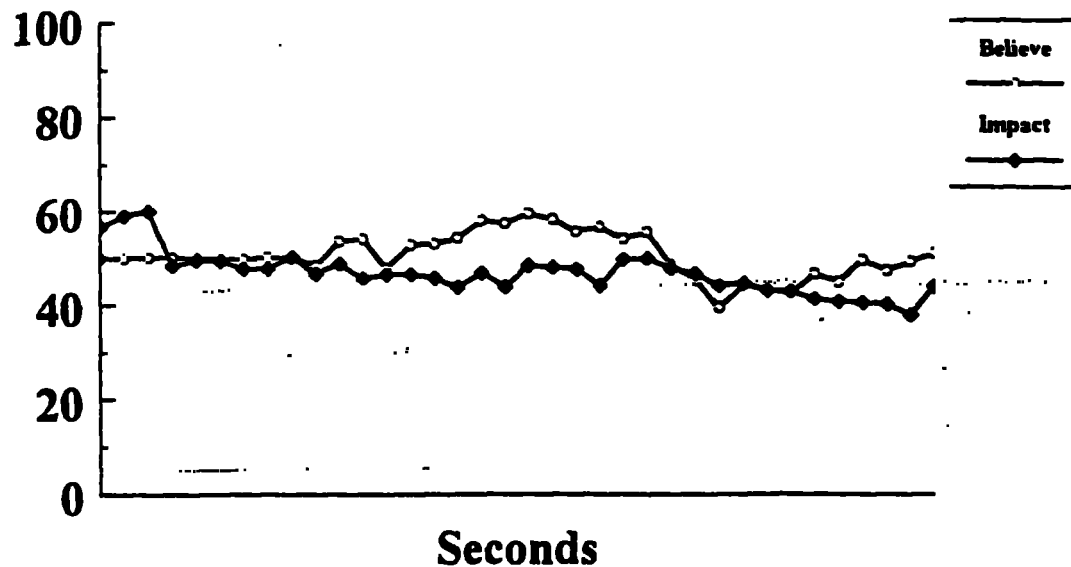
1210-904-10-22



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Jimmy's College Fund

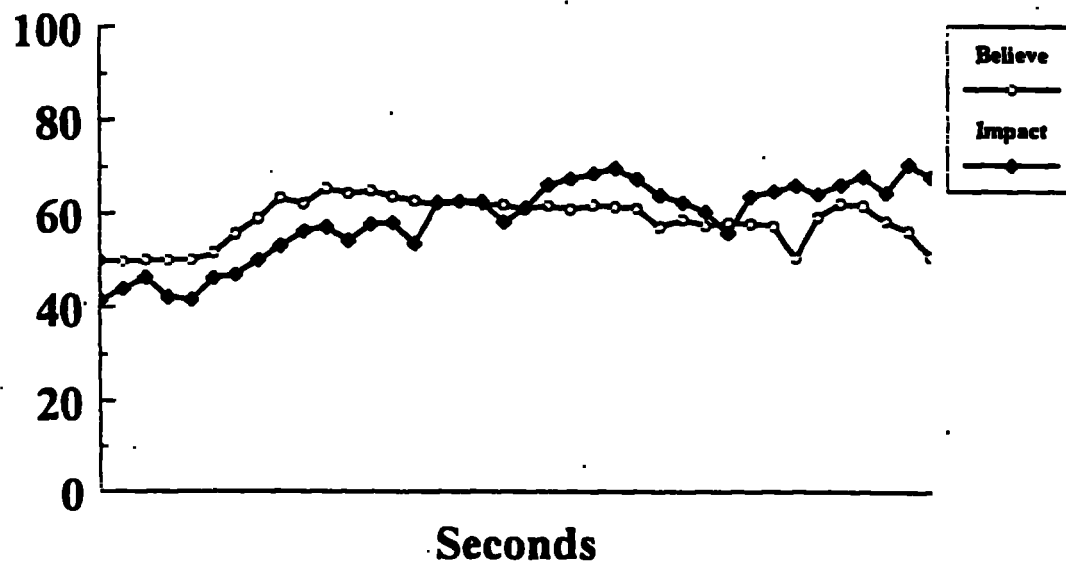
Rating



The Television Group
Cleveland Public Schools - 6/1/76

Flag

Rating



The Television Group
Cleveland Public Schools - 6/1/76

AMERICAN VIEWPOINT

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Memorandum

To: The Coalition

From: John Wilson / Gary Ferguson, American Viewpoint, Inc.
Brian Tringali / Ed Goeas, The Tarrance Group

Date: July 29, 1996

Subject: Iowa 4 / Washington 5 Post-Test Polling

The results of the Post-Media poll in Iowa 4th / Des Moines DMA and Washington 5th / Spokane DMA indicate that while *The Flag* (Washington 5th) was effective in achieving The Coalition's goals, *Follow The Millions* (Iowa 4th) raises some cause for concern in terms of message, penetration, and ability to move numbers in a Ganske direction.

IOWA 4 / DES MOINES

To begin with, virtually all of Congressman Ganske's numbers - including Generic Ballot, Congressional Ballot, Name I.D. and Re-elect - have actually declined since the Pre-Media poll.

While the aggregate numbers show a small across the board decline in Ganske's ballot test, there was significant movement within the sub-groups. For the most part, Ganske's numbers plunged among younger voters, but improved significantly among older voters. Among voters 18-34 Ganske led in the Pre-Test by a 50% to 43% margin, but trailed in the Post-Test by 31% to 61%. On the other hand, his ballot test deficit went from a -30% among voters 65+ to -14%. Virtually all of this improvement was among Men 65+. His ballot also remained at -12% among all men, but dropped from -14% to -23% among all women. It is also significant that Ganske's ballot test score remained constant among Non-Union respondents, but dropped 15% among Union Household Members (now 20% Ganske / 69% McBurney).

THE COALITION

Iowa 4th & Washington 5th Post-Tests
July, 1996

Naturally all of this change cannot be attributed to the Union and Coalition campaigns, as the overall political climate and the Ganske and McBurney campaigns must be given their due. McBurney's favorable rating remains in the 60s indicating that her campaign has been very effective so far. Then too, Bob Dole's numbers continue to decline, which can only hurt the Ganske campaign. Overall, Dole trailed Clinton by a 34% to 56% margin in the Pre-Test and his ballot test strength has declined to just 28% to 57% - that's right a 2:1 margin. Finally, Speaker Gingrich continues to have a favorable to unfavorable ratio that is negative by a 2:1 margin (28% Favorable / 57% Unfavorable). In short, the overall political climate has not been particularly favorable for the Ganske campaign.

But clearly the Union and Coalition campaigns can account for much of the change in Ganske's numbers and as was stated earlier, much of it has been negative. There appear to be three reasons for this - recall, confusion and message.

a. Ad Recall

While 43% of the voters recall the Union Ads, 34% recall the rebuttal (which isn't bad given the comparative edge in media weight of the Union Ads). More importantly, most of the decline in Ganske's numbers has occurred among those who recall having seen, read or heard the Union Ads. That is, in the Pre-Media poll Ganske had a 15% lead among those who recalled the Union ads, but this lead has declined to just 7% in the current poll. Conversely, he trailed in the Pre-Media poll by 23% among those who did not recall the Union Ads and trails by a similar 25% in the current poll. From this we have to conclude that much of the decline in Congressman Ganske's numbers can be directly attributed to the Union Ads.

Curiously, the overall effect of the Coalition Ads has also been negative. Overall they have made 28% more likely to vote for Ganske and 35% less likely to vote for him. There are at least three important reasons why this may have occurred. First, the Coalition Ads have had a decidedly negative effect on Union Household Members. In fact, the Coalition Ads have made only 8% of Union Household Members more likely to vote for Ganske, while making 71% less likely to vote for him. The other two reasons for the net negative impact of the Coalition ads concern confusion over the content of the ads and the messages being used.

b. Confusion

The coded open-end data and verbatim comments make it clear that there is a great deal of confusion over the response ads. That is, when asked what they recalled about the advertising that responds to the AFL-CIO's attacks on Greg Ganske their recollections were almost as likely to be negative as positive.

THE COALITION

Iowa 4th & Washington 5th Post-Tests
July, 1996

For instance:

- 12% They were about him cutting Medicare / Medicaid / He is against Medicare.
- 6% They were negative / Against Ganske
- 2% About Cutting Welfare
- 2% He's Not Doing His Job.

And while the themes and messages that we were hoping to impart came through for some voters, the intensity was not significantly higher than the confused messages noted above. In short, recall of the rebuttal ads is low and there appears to be a fair amount of confusion over what they saw or heard.

c. Message

While both messages in Iowa 4th have their strengths, it appears that neither is strong enough to create a significant shift in Ganske's Ballot Test, Name I.D. and Re-elect given the Democrat leanings of this district, McBurney's high approval rating, and the overall poor political climate in this part of Iowa at this time.

In short recall of the union ads is still significantly higher than recall of the Coalition spots, and the Union spots are having a net negative effect on the Ganske campaign. Our ads are characterized by low recall, confusion over the ads and a message that needs to be stronger in order to move Ganske's numbers significantly. And while Ganske's numbers have improved among older voters, our ads are having a net negative impact on the voters as a whole and younger voters, female voters and Union Household Members in particular.

WASHINGTON 5TH / SPOKANE

While it is unclear how well voters make the distinction of which entity is sponsoring the specific spots, what is discernable is their net impact with the electorate. It is reasonable to surmise that The Coalition's advertising campaign (Flag) has positively impacted Congressman George Nethercutt's race for re-election.

It is our conclusion, based on the research conducted as part of this media experiment and earlier focus group testing, that "setting the stage" by letting voters know who is behind the negative advertising being run in these congressional districts is an important precursor for The Coalition's activity. *The Flag* clearly does that job. Specifically, the advertising has a positive impact on :

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THE COALITION

Iowa 4th & Washington 5th Post-Tests
July, 1996

- ✓ voter attitudes toward Republicans;
- ✓ voter attitudes toward the freshman Republican Member;
- ✓ voter attitudes toward re-election of the Member, and (most importantly);
- ✓ voter commitments on the ballot test

In a little over two weeks, Nethercutt has gone from a highly vulnerable Member to a more secure position. The data in both the pre-test and post-test studies suggest that the political environment is truly what is driving the dynamics of this race more so than the candidates.

Democrat Judy Olson is still largely unknown while Nethercutt's position, assuming she has not done anything significant during the month of July, has improved dramatically seemingly as a result of the Coalition's media buy. The impact of the Coalition's spots on the political environment is perhaps best evidenced by the movement in the generic congressional ballot test which now yields a four (4) point advantage for the generic Republican compared with a one-point deficit in the pre-test.

Consistent with the pre-test study, Nethercutt's position improves with those voters who have seen the advertising sponsored by the AFL-CIO (and also The Coalition). What's more, the increase in Nethercutt's position has occurred across the board. Not only has Nethercutt's favorable image improved, but more importantly his ballot strength and incumbent measurements have increased from earlier this month.

The data in this study also suggest that there is little to no residual positive effect from the Coalition's advertising with the presidential ballot. Nor does The Coalition advertising have an impact (positive or negative) on voter opinion of labor unions.

But the greater cautionary note is that this advertising, effective as it may be, does little to move the agenda forward. The net result is that the AFL-CIO, and the challenger campaigns they are running this advertising on behalf of, are still in control of the agenda unless we do something to move it forward. Changing the agenda could include a spot-lighting of union activities and/or a focus on what issues or changes the unions are trying to effect.

THE COALITION

Iowa 4th & Washington 5th Post-Tests

July, 1996

Methodology Statement

Both Iowa polls consisted of 300 registered voters in the portion of the 4th Congressional District covered by the Des Moines Media Market. Similarly, both polls in Washington were conducted among 300 registered voters in the Spokane Media Market. All four surveys have a statistical margin of error of $\pm 5.8\%$ within a 95% confidence interval. The Iowa Pre-Test was conducted on July 9th and 10th and the Post Test was conducted on July 22nd and 23rd. In Washington, the Post-test study dates were July 23-24, 1996.

22.04.406.0127

REPUBLICAN NATIONAL COMMITTEE

Broadcast Services Department

310 First Street, S.E.

Washington, D.C. 20003

ACCOUNT NUMBER

COMPANY NAME

BILLING ADDRESS

National Media

211 N. 1st Union # 000

Alexandria, VA 22314

July 23, 1990

DATE

invoice no.

DESCRIPTION OF SERVICES RENDERED		SERVICE RATE	UNIT PRICE	AMOUNT
Union Package Footage for Chuck Greener		TC	\$500.00	\$500.00
PRIOR BALANCE	PAYMENTS RECEIVED	AMOUNT OUTSTANDING	THIS INVOICE	TOTAL DUE
			\$500.00	\$500.00

Advanced payment is required. Make checks payable to the Republican National Committee.
Payments from corporations will not be deposited into the Federal Account.

WHITE—Broadcast Services copy

YELLOW—Administration copy

PINK—Vendor copy

ATTACHMENT

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NAT 02323

22 04 406 0128

NOV-37-96 12:10P

GANNON
MCCARTHY
MASON
LIMITED

11/7/96

TO: ALAN KRANOWITZ
BRUCE JOSTEN
ELAINE GRAHAM

FROM: LARRY MCCARTHY

CC: CHUCK GREENER

RE: NEXT STEPS FOR THE COALITION

Here are some rambling thoughts on maximizing the credit the Coalition should get for its 1996 activities, and planning for the future:

- Prepare a district by district analysis/summary of what labor did, what the Coalition did, what were the other factors in the race, etc.
- Develop anecdotal talking points about the critical role the Coalition played – for example, I could make a very good case that if not for the Coalition, neither of my two freshmen (Nethercutt & Whitfield) would have won
- Make a report to each member that you helped and actively solicit formal thanks in writing or on videotape
- Make a written/oral/videotape report to GOP leadership and later the full caucus
- Distribute a written or videotaped report to the appropriate members of the business community and use it as a tool to solicit additional contributions for future activities
- Pay special attention to the handful of people who write the history – Stu Rothenburg, Charlie Cook, The Hotline, Michael Barone, the CQ Political Almanac, etc.
- Play a significant role in the Texas special elections
- Keep enough of a warchest so you can always play a role in any special elections
- Conduct an opinion survey of union members to check their attitudes in light of the elections – if appropriate, publicize the results

TC 00803

22-04-406-0129

Nov-07-96 12:10P

P.03

- Follow-up with any of the union survey respondents who might be willing to go public complaining about the AFL-CIO's activities
- Conduct a focus group of union members to further probe any discontent - If appropriate, show the videotape of the focus group to targeted reporters
- Conduct an aggressive opposition research operation to check FEC records and look for specific instances of coordination between AFL, Democratic House campaigns, Sierra Club, League of Conservation Voters, and the other usual suspects
- Consider doing issue advocacy ads against targeted Democrats early in '97 to fire a warning shot across their bow
- If there are any congressional investigations into union corruption, consider doing DC ads to help build press coverage

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①

THE COALITION:

Americans Working for Real Change

Air-Conditioning & Refrigeration Institute
American Bakers Association
American Furniture Manufacturers Association
American Insurance Association
American Petroleum Institute
American Trucking Association
American Wholesale Marketers Association
Americans for Tax Reform
Associated Builders and Contractors
Associated General Contractors of America
Business Leadership Council
Causes for a Sound Economy
Construction Industry Manufacturers Association
Environmental Industry Associations
Food Distributors International
Food Marketing Institute
International Council of Shopping Centers
International Franchise Association
International Mass Retail Association
National Association of Convenience Stores
National Association of Home Builders
National Association of Independent Insurers
National Association of Manufacturers
National Association of Wholesaler-Distributors
National Council of Chain Restaurants
National Federation of Independent Business
National Paper Trade Association
National Printing Equipment Suppliers Association
National Restaurant Association
National Retail Federation
National Roofing Contractors Association
Printing Industries of America/
Master Printers of America
U.S. Chamber of Commerce

December 19, 1996

Dear Coalition Contributor:

Enclosed is a report on the activities and accomplishments of The Coalition: Americans Working For Real Change. The accomplishments cited in this report are a direct result of one thing -- your willingness to voluntarily support The Coalition's mission with a financial contribution. Without you, our supporters, none of the activities and outcomes highlighted would have been possible.

Our success is really your success. You were the backbone of The Coalition. You made an idea a reality. You believed in the possible and provided the much needed financial resources to make it all happen. We believe you will be pleased with the results; we are pleased to be able to report back to you.

Thank you for your encouragement.

Sincerely,

The Coalition

1615 H Street, N.W. Washington, D.C. 20062 (202) 463-5600 office (202) 887-3430 fax

TC 00610

COA009-00639

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THE COALITION: Americans Working For Real Change

REPORT ON ACCOMPLISHMENTS

Mission Statement

The mission of THE COALITION is to counter the campaign of misinformation promulgated by the militant leadership of the AFL-CIO and its allies, which will spend \$35 million in compulsory union dues to criticize those who stand for economic growth, job creation and individual opportunity, to set the record straight on the positions taken by pro-business members of Congress, and on the need to reduce the size, scope and cost of the federal government.

In brief, mission accomplished! By any measure, the program of work adopted by coalition members and supported by contributors, was very successful. The coalition made a total of 71 major media buys (t.v. and radio) in 37 congressional districts to neutralize the impact of the AFL-CIO-led effort to attack pro-business members of Congress with an ad campaign of distortions, misinformation and blatantly untrue charges.

Four different ads were produced, aired and rotated in districts of pro-business incumbents. These ads highlighted the legislative accomplishments of representatives in voting to balance the budget, restructure Medicare to save it from bankruptcy, cut wasteful government spending and pass tax cuts for working families.

In total, Coalition ads ran more than 12,000 times in our target areas to respond to AFL-CIO ads.

The AFL-CIO effort was designed to unseat the majority in Congress. It did not succeed. Pro-business lawmakers were defended by coalition advertising that honestly represented legislation and voting records. These members of Congress were successful in 76% of their re-election bids. Only 24% of these pro-business legislators failed in their re-election on November 5.

In addition, The Coalition, prepared report cards on members of Congress and their voting records. Nearly two million report cards were mailed to targeted constituents in forty-four (44) congressional districts. On average, 40,000 report cards reinforcing our advertising message were received by registered voters in these districts. These mailings were timed for mail drop ten days before the election, just when many undecided voters were in their decision-making process. This supplemental activity played an important role in our efforts and provided collateral support to advertising.

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COA009-00640

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Page two

The third complement to our activities was to provide professional assistance to individuals of member companies who expressed interest to association members of The Coalition in speaking out. These individuals were provided assistance from professional writers to help craft op-eds for placement in twenty (20) congressional districts. Hereto, The Coalition provided resources to gain another communications channel supportive of our message. Taken together, these three primary activities were mutually supportive in helping deliver our message and ensure our message had lasting traction over a 5 month period.

The Coalition's strategy to ramp up our advertising placements late in the game had a positive impact on the "undecided's" and "swing voters" who typically focus on legislative track records late in an election year. Coalition advertising not only filled a vacuum of unanswered "attack" ads, but by conveying "new" information in a positive and honest fashion was able to dramatically change the framework of the legislative debate shaped by months of AFL-CIO advertising. In fact, it is clear by the re-election successes of attacked incumbents that Coalition advertising blunted early momentum built up by months of AFL-CIO ads that remained unanswered until The Coalition stepped in.

By Election Day, The Coalition's budget had grown to \$5,000,000 of that, \$4,600,000 was spent on:

- paid advertising
- polling/survey research
- professional writers
- production and mailing costs
- legal fees.

The majority of financial resources contributed, nearly \$4 million, went to paid advertising. Many associations provided in-kind support to this effort which enabled your voluntary contributions to be dedicated to getting our message out, principally in paid advertising. In addition, The Coalition maintained an aggressive press operation responding to AFL-CIO ads and public statements. This "earned media" aspect of our overall effort resulted in more than 700 articles in national, regional and local newspapers as well as appearances by Coalition members on all major television networks and talk radio.

Some expected payable costs are accounted for and will be paid off without The Coalition incurring outstanding debt. In summary, your contributions were stretched, maximized and optimized for the greatest impact over the length of this campaign.

Another interesting and important anecdote to the competing advertising messages of the AFL-CIO and The Coalition: Americans Working for Real Change was reported in the Wall Street Journal following the elections. NBC News and the Journal conducted polling

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Page three

immediately before the elections of registered voters to determine reactions to "different groups involved in this election." When asked: "Do you think this group is having a mainly positive effect or mainly negative in politics today?," respondents stated:

	<u>Mainly Positive</u>	<u>Mainly Negative</u>
Labor Unions	38%	39%
Business Organizations	53%	21%

(Numbers do not add to 100 due to "don't know" and "undecided" respondents).

Late in the campaign, in response to escalating AFL-CIO media buys which jumped from approximately \$1.5 million every 21 days to \$3.25 million every 15 days, The Coalition decided to complement our defensive advertising with ads designed to educate the public on voting records of liberal house members with a tax and spend philosophy. Ads were placed in four districts informing constituents that these representatives voted for the largest tax increase in history and against the balanced budget, tax cuts for families and welfare reform. The intent here was to "send a signal" and, if possible, cause the AFL-CIO to spend resources to defend their supporters, rather than continue escalated attacks against pro-business legislators.

We take comfort and pride in these findings as should you, our supporters. Together, we conducted an integrated, positive advertising campaign that honestly represented issues and voting records of members of Congress. The American public respected our message and rejected the shrill, negative campaign of organized labor. The Coalition's fight was your fight. Without the widespread and diverse support of voluntary contributions provided, none of these accomplishments would have been possible.

One final note -- John Sweeney, President of the AFL-CIO has announced, the AFL-CIO will continue to make extensive use of television and radio ads to pressure targeted members of Congress. In Mr. Sweeney's own words: *That's a promise, and that's a commitment.*

The business community and its allies clearly must remain vigilant and be prepared to be proactive in the upcoming legislative debates and respond, as needed. To this end, The Coalition's Management Committee will meet shortly to explore how best to make The Coalition: Americans Working For Real Change a visible, effective and permanent entity.

Again, thank you for your support -- you made all of these accomplishments possible.

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COA000-00642

33 132

22-04-406-0134

THE COALITION:

Americans Working for Real Change

September 13, 1996

TO: Executive Committee Members

Enclosed is a Get-Out-The-Vote packet. We highly encourage you to quickly get out the materials to your members. Our purpose is two-fold: for you to encourage your members to register and vote and for your members to encourage their employees to register and vote. The packet contains the following:

- a sample cover letter,
- a chart of the 50 states voter registration and absentee ballot laws, and
- a camera ready art slick.

The theme -- Register, Vote, Make a Difference -- can be tailored to your industry. For instance, the Chamber opted for "Register, Vote, Make a Difference for Business."

A few important notes. In regards to the sample letter, if you leave in the first paragraph listing the target audience, then you must leave in the PS Your printer can use the camera ready art to produce more slicks for your members.

We highly encourage you to quickly send this packet out to your members because voter registration deadlines are drawing near. This is an important part of our effort to elect a pro-business Congress.

If you have any questions about the packet, contact Katy McGregor of the National Restaurant Association at (202) 331-5903 or Linda Mays of the Chamber of Commerce at (202) 463-5604.

American Bakers Association
American Furniture
Manufacturers Association
American Insurance Association
American Petroleum Institute
American Trucking Associations
American Wholesale Marketers
Association
Americans for Tax Reform
Associated Builders
and Contractors
Associated General
Contractors of America
Business Leadership Council
Citizens for a Sound Economy
Environmental Industry
Associations
Food Distributors International
Food Marketing Institute
International Franchise
Association
International Mass
Retail Association
National Association of
Convenience Stores
National Association of
Independent Insurers
National Association of
Manufacturers
National Association of
Wholesaler-Distributors
National Council
of Chain Restaurants
National Federation of
Independent Business
National Paper Trade
Association
National Printing Equipment
Suppliers Association
National Restaurant Association
National Retail Federation
National Roofing Contractors
Association
Printing Industries of America/
Master Printers of America
U.S. Chamber of Commerce

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m e m o

To: The Coalition

Fr: Alex Castellanos

Re: Creative Proposal

June 19, 1996

Thank you for the opportunity to present two :30 sec. television and one :60 sec. radio scripts, as requested, to your campaign to re-elect a pro-business Congress. Regarding the one spot presented in storyboard form, please understand that these are tentative, available images, presented roughly, only to guide visualization. In addition to the scripts themselves, our creative team would like to pass along a few observations that may be worth your consideration as you conduct focus groups for the campaign.

The positive :30 TV we've submitted is targeted to address the gender gap problem, our most glaring vulnerability in the '96. As you know, the gender gap is our opponent's chief target. Clinton, the DNC, and the AFL-CIO are all targeting "soccer-mom". We don't believe we can get her back on social issues. However, in focus groups, we would like to test going after her on economic grounds. In addition to the arguments made here, we would suggest testing others such as, "Does working 'soccer-mom' know that she is working nearly for free -- because almost all her income goes to pay her family's taxes? How does she feel about being a volunteer? Is she angry that the time spent away from her family rewards government and not her family?" In short, we'd like to test the credibility of a new argument, i.e., "economic working-mom abuse." Can we make this election a referendum on that? Also, we'd like to point out that this argument has a male counterpart. We could do the same spot about dad. He is also a victim of "economic abuse" as is every American family. "Dad is also working just as hard as his father did, but paying twice the taxes. It is not fair. It is time for a change." And that leads us to a central point. We would not recommend the coalition run a defensive, "here's what the Republican Congress has accomplished, A, B, & C" campaign and make the re-election of a pro-business Congress a referendum on that. Instead, we would recommend testing and running a more aggressive campaign, to change Washington again as challengers and outsiders. We are not part of the problem so we shouldn't run like we are. We should still say, "It's time for a change."

We chose Fred Thompson to carry our message to give our campaign impact, unity and credibility. He is a powerful draw with all voters, including female voters.

We also think it is important to create and test other economic "packages". For example, how credible is the concept of "A Maximum Wage for the American Family", which is really just a tax cut -- a pay cut for government and a pay raise for the American family? Can we run a campaign drawing a contrast against the minimum wage Democrats by running as Maximum Wage, Minimum Tax Republicans.

NATIONAL MEDIA INC • 211 N. UNION ST. #200 - ALEXANDRIA VA 22314 • 703.683.4877 FAX 703.683.3579

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22.04.406.0136

MEMORANDUM

June 12, 1996

TO: Members of the Coalition – VIA FAX

FM: Tony Marsh, Russo Marsh + Raper, Inc.
Voice: (202) 289-0090 Fax: (202) 289-0095

RE: Media Campaign

Thank you again for the opportunity to discuss with you or your representatives your hope to counter the arguments of those who seek to return a liberal, anti-business, majority to Congress.

This election may well be the most important in the latter half of the 20th century. It certainly will be a major historical showdown between two very different approaches to government. Most likely, the winner will determine which approach America takes for decades to come.

Despite the critical national importance of this election, however, several factors argue against a national tide. First, people do not fully trust Bill Clinton. Second, Bob Dole has not captured the imagination of America. Third, most people sympathize with Republican issue ideas (balanced budget, tax cuts, etc...), but perceive Republican members of Congress as a threat to middle-class programs (Medicare, college-loans, etc...).

These factors have created a surprising level of ambiguity given the frustration and alienation people have for government generally.

The interest groups who want to return control of Congress to their liberal, anti-business, allies are working over-time to create a national dynamic in this election. They believe the most unpopular individuals in the political arena these days are Republicans. This assumption leads them to believe they stand a far better chance of capturing control if they can nationalize the election.

They intend to do this by 1) painting Republicans as extremists; and 2) showing their own liberal, anti-business, friends as the guardians of the middle class.

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If they are successful, the liberals will be defined as the "pay-check" party while the majority is branded the "abortion" party.

This cannot be allowed to stand or the pro-business, fiscally conservative, majority who currently control Congress will be defeated in November.

Obviously, the message will be fine-tuned by use of survey research and focus groups. However, I believe we can make a few important assumptions.

- 1) ***Go at them head on.*** Make this election a referendum about what's best for the overwhelming majority of middle-class Americans vs. the interests of a few selfish big-labor leaders.
- 2) ***Fight emotion with emotion.*** Change the rules. In the past, we've made sound, logical arguments for issue-driven solutions that surveys tell us nearly all the people support. But the other side isn't playing by our rules. They show up and toss reason aside. They appeal to emotion, fear and shared values. They talk about the need for an increase in the minimum wage and never mention the damage it will do. They use Medicare and capital gains reform as symbols of Republican attempts to strip middle-class programs and make the rich richer.

People are frustrated by a political system that doesn't appear to work, an economy in which they can't seem to get ahead and, ultimately, the loss of values like individual responsibility and mutual respect. These are fundamental pressure points upon which our opponents are terribly vulnerable.

- 3) ***Don't argue on their issues, but on ours.*** If we have to, and can, go into an individual district and pick a local issue upon which our pro-business incumbent is strong. In larger markets, and as environmental ambience, pick issues we can rile people up on. In some instances, we may even want to advertise in areas with heavy union membership which seek to rile union members, even encourage them to ask for their dues back.
- 4) ***Talk about common-sense change, not radical revolutions.*** The other side stands for the status quo. But people want change so long as it doesn't frighten them.

- 5) **Get rid of the green eye shade and put our issues in terms people can relate to.** For example, the balanced budget means lower interest rates, \$1,700 in mortgage interest savings per family, more and better jobs, higher wages, etc...
- 6) **Localize the elections where it makes sense.** Early this year, RM+R served as media consultants in the special election of Tom Campbell in California's 15th Congressional District. The district is mostly a liberal enclave situated in the San Francisco Bay area. Nowhere is Newt Gingrich and Congressional Republicans more unpopular. While the Democrats attempted to make this a referendum on Gingrich, we won by making it instead a referendum on Tom Campbell's personality and values. Likewise, many campaigns can be won based on local issues or the strengths of an individual member -- factors that should not be overlooked when considering any strategy for retaining control of Congress.
- 7) **Pick your targets carefully.** Listed below are those pro-business members of Congress who may face competitive campaigns in the 1996 cycle, the dominate markets in their district and the average cost per point for afternoon news. This is by no means meant as a complete tool for targeting, but will give you a way of comparing the costs of reaching voters in different markets.

**Relative cost-per-point. Afternoon news.
28 Pro-business Incumbents**

<u>Seal</u>	<u>Member</u>	<u>DMA</u>	<u>CPP *</u>
CA-01	Frank Riggs	Eureka	18
		SF/Oakland/SJ	676
CA-22	Andrea Seastrand	San Brbra/SLO	55
IL-05	Michael Flanagan	Chicago	502
IA-03	OPEN (Lightfoot)	Des Moines/Ames	37
		Omaha/Kirkville	25
IA-04	Greg Ganske	Omaha	56
		Des Moines/Ames	37
KY-01	Ed Whitfield	Paducah/C.Gird/Harby	31
		Nashville	112
		Evansville	37
LA-07	OPEN (Hayes)	Lake Charles	22
		Lafayette	32
		Alexandra	24
MA-06	Peter Torkildsen	Boston	399
ME-01	James Longley	Portland/Auburn	78
MI-08	Dick Chrysler	Lansing	40
		Detroit	206
NF-02	John Christensen	Omaha	56

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Page 4

NV-01	John Ensign	Las Vegas	86
NJ-08	Bill Martini	New York	907
NC-02	David Funderburk	Raleigh/Durham	125
NC-04	Fred Heineman	Raleigh/Durham	125
OH-06	Frank Creamer	Charleston/Huntington	47
		Columbus	145
OH-10	Martin Hoke	Cleveland	195
OH-18	Bob Ney	Wheeling/Stberville	24
		Zanesville	30
		Cleveland	195
OK-02	Tom Coburn	Tulsa	73
OR-05	Jim Burn	Portland	156
PA-13	Jon Fox	Philadelphia	460
PA-21	Phil English	Youngstown	NA
		Eric	19
TX-09	Steve Stockman	Houston	271
TX-14 OPEN (Laughlin)		Austin	84
		Houston	271
		San Antonio	25
		Victoria	18
UT-02 OPEN (Waldholtz)		Salt Lake City	151
WA-01	Rick White	Seattle-Tacoma	251
WA-09	Randy Tate	Seattle-Tacoma	251
WI-03 OPEN (Gunderson)		La Crosse-Eau Claire	37
		Minneapolis-St. Paul	255

All of us at RMIR are excited by the prospect of being part of your team. We are convinced your group can play the leading role this year in preserving a pro-business, pro-taxpayer and pro-jobs majority in Congress. We would make such an effort our firm's highest priority in this election.

Should you have any questions please do not hesitate to call. Thank you.

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D. General Counsel's Report, dated June 9, 2000, Attachment 2 at pp. 13-15.

22-04-406-0141

(7) Congressman John Boehner or any of his staff, wherever situated, known to report to or act on behalf of Congressman Boehner;

(8) Congressman Bill Paxon or any of his staff, wherever situated, known to report to or act on behalf of Congressman Paxon;

(9) Any candidate for United States Representative in the 1996 elections or any representative of an authorized committee of such candidate, any affiliated committees, and any employee, volunteer or representative of the campaign.

b. For each such communication, conference, meeting or discussion regarding The Coalition and its efforts, state (1) the date; (2) the participants; (3) the manner of communication (e.g., telephone conversation, meeting, writing, etc.); (4) the location; and (5) the topic, and describe the information exchanged or provided.

c. For each such communication, conference, meeting or discussion regarding The Coalition and its efforts, produce all documents that in any way reflect, refer to, relate to or evidence the communication including but not limited to agendas, lists of attendees, materials prepared for or presented at such meetings, notes, transcripts, audio or videotapes, invitations to outside speakers, statements and descriptions or discussions of such meeting disseminated after such meetings. If any portion of the communication was memorialized in a document, identify and produce the document(s).

Response of Bruce Josten

1-5. None.

6-7. Ads that had already run in Des Moines, Iowa ("Follow the Money") and Spokane, Washington ("Flag") were shown after a Thursday Group meeting on either July 18 or 25, 1996. Congressman John Boehner, Dirk Van Dongen, Lonnie Taylor, and Joyce Gates were in attendance. Some of the other normal Thursday Group attendees also were around to watch the video, but I cannot specifically identify anyone else. Total attendance for the showing of the ads probably was between ten to fifteen. I do not remember anyone making any specific comments. My recollection is that there was a sense of being pleased that business had finally countered labor's messages. We did not

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discuss The Coalition's future plans. In fact, at that point, The Coalition was unsure whether it would have sufficient funds or interest to engage in future activities.

8. None.

9. Congressman Bass asked The Coalition to pull its ad because he had criticized similar ads run by the AFL-CIO during his campaign. The Coalition refused Congressman Bass's request. On behalf of The Coalition, I wrote a letter (that has already been provided to the FEC), stating its advertisement was not on "[Rep. Bass's] behalf or any other candidate running for Congress" and that "The Coalition has not and will not become involved in any effort which advocates the election or defeat of any elected official." Accordingly, because The Coalition valued its advertisements and thought the people of New Hampshire deserved the information on these important issues, it declined Congressman Bass's request.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on FEB. 29, 2000


Signed

Response of Lonnie Taylor

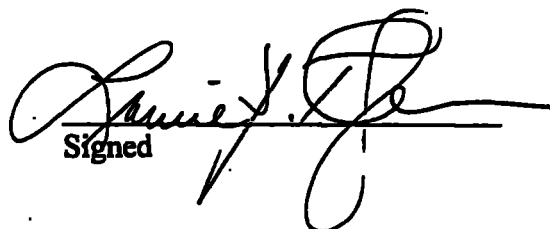
1-5. None.

6-7. Ads that had already run in Des Moines, Iowa ("Follow the Money") and Spokane, Washington ("Flag") were shown after a Thursday Group meeting on either July 18 or 25, 1996. The purpose of showing the ads was purely informative. My recollection is that Congressman John Boehner, Barry Jackson, Don Fierce, Dirk Van Dongen, and Bruce Josten were in attendance. Some of the normal Thursday Group attendees also were around to watch the video, but I cannot specifically recall who else was there that day. Total attendance for the showing of the ads was approximately ten to fifteen. Mr. Van Dongen provided a brief introduction and then Mr. Josten ran the tape. At the conclusion of the tape, the remaining people chatted for a couple of minutes about the ads—mostly laughing about how Sweeney was portrayed and congratulating us for finally countering labor's message. I do not recall any specific statements. There was no discussion about whether The Coalition would make any more ads or whether it would ever run these ads again. The entire exchange lasted less than five minutes.

8-9. None.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 7/1/00.


Signed

E. General Counsel's Report, dated April 23, 2001, Attachment 1 at pp. 17-19, 28-29.

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1 Q. How many times?

2 A. Every Thursday Group meeting.

3 Q. Did the Thursday Group meet throughout
4 1996?

5 A. I can't answer that specifically, Mr.
6 Gould. I can tell you it certainly did not meet
7 when Congress was not in session.

8 Q. I understand that completely.

9 A. Beyond that I cannot answer the question.

10 Q. You don't recall if they stopped meeting
11 while Congress was still in session?

12 A. No, I don't recall.

13 Q. Did you ever send copies of The
14 Coalition's ads to Ms. Gates?

15 A. Yes, I did.

16 Q. And why did you do that?

17 A. The management committee decided that the
18 House Republican Conference should have copies of
19 all of the tapes, and we sent them up after
20 duplicates arrived in my office, which was in some
21 cases, Mr. Gould, after the ads had already run and
22 gone off the air. The duplication process was not

1 totally well scheduled.

2 Q. So there were cases where the ads were
3 sent to the House Republican Conference before they
4 were shown?

5 A. No, never. I'm sorry.

6 Q. You said in some cases ---

7 MR. KIRBY: He said sometimes they were
8 off the air.

9 THE WITNESS: They were finished running.
10 Never in advance, Mr. Gould.

11 BY MR. GOULD:

12 Q. Who on the management committee told you
13 to send these ads to Ms. Gates?

14 A. I can't answer that. I don't remember,
15 Mr. Gould.

16 Q. Was it a group decision?

17 A. Oh, yes.

18 Q. Did they explain why they decided to do
19 that?

20 A. Mr. Gould, Mr. Boehner had been under
21 attack from Republican Members of Congress, as the
22 media reported, for not getting his so-called

1 allies in the business community to respond to the
2 AFL-CIO. Mr. Boehner had no knowledge of what it
3 was that his allies in the business community were
4 doing. So after the fact we sent up the ads so he
5 could, indeed, see what his allies in the business
6 community were doing about which he knew nothing
7 beforehand.

8 Q. Were you aware that some of the freshmen
9 Republican Members had approached Congressman
10 Boehner and asked him if these Coalition ads would
11 be running in their districts?

12 A. No, sir, I'm not.

13 Q. Did you ever hear any rumors to that
14 effect?

15 A. Mr. Gould, there were reports in The
16 Washington Post, as I recall, which suggested that
17 Congressman X or Congressman Y were furious that
18 the AFL-CIO was running ads in their district and
19 no one, it appeared, was doing anything about them.
20 Whether they were freshmen or not, I don't know.

21 Q. Did you ever discuss The Coalition ads
22 with Ms. Gates?